Alberta

Budget 2011

Building **a better Alberta**

Third Quarter Fiscal Update 2011–2012

Government of Alberta

February 2012

UPDATING ALBERTANS

The *Third Quarter Fiscal Update* consists of two parts: the updated 2011–12 forecast for the entire fiscal year and the actual results for the first nine months of the fiscal year (April 1 to December 31, 2011).

TABLE OF CONTENTS

2011–12 FORECAST

Highlights 1
- Fiscal Summary 1
- Alberta Sustainability Fund 1

Revenue 2
- Revenue 3

Expense 4
- Expense Summary 5
- Expense by Ministry 5

Capital Plan 6
- Capital Plan Summary 6
- Capital Grants and Other Support 7
- Capital Investment and Amortization 7

Net Financial and Capital Assets 8
- Balance Sheet 8

Other Tables
- Cash Adjustments 9
- Disaster/Emergency Assistance 9
- 2011–12 Fiscal Year Assumptions and Sensitivities 10
- Financing Requirements 10

ACTUAL RESULTS 12
- Consolidated Fiscal Summary 13

2011–12 FORECAST

HIGHLIGHTS

Deficit. Forecast at $1.3 billion, $2.1 billion lower than the *Budget 2011* estimate, and $1.7 billion lower than forecast at second quarter, mainly from an improved revenue forecast. The deficit is offset by a transfer from the Sustainability Fund.

Revenue. Forecast at $38.3 billion, an increase of $2.7 billion from budget and $1.5 billion from second quarter. The increase from budget is due mainly to higher Crown land lease sales, corporate income tax and royalty revenue, partly offset by lower investment income.

Expense. Forecast at $39.6 billion, a net increase of $642 million from budget, but $218 million lower than the second quarter forecast. The increase from budget is mainly due to disaster / emergency assistance for wildfires and municipal flooding, higher capital grants and education funding. The decrease from second quarter primarily reflects re-profiling of capital grants to future years, reduced requirements in various health programs and lower debt servicing costs. Total expense is net of expected in-year savings of $240 million.

Sustainability Fund. Forecast assets at March 31, 2012 of $7.5 billion, $2.2 billion higher than the budget estimate and $0.6 billion lower than second quarter. The higher balance is due primarily to the lower deficit and the $619 million in cash from 2010-11 fourth quarter results transferred after March 31, 2011 (i.e., in the 2011-12 fiscal year), partly offset by higher net cash requirements, including the impact of not borrowing the planned $1.8 billion for capital purposes (see page 9 for details).

FISCAL SUMMARY[a]

(millions of dollars)

	2011-12			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Revenue [b]	35,600	**38,318**	2,718	1,517
Expense [c]				
Program expense				
Operating expense	33,943	**33,994**	51	(54)
Capital grants	3,895	**3,981**	86	(99)
Disaster / emergency assistance	-	**595**	595	9
Capital amortization / nominal sum disposals	808	**797**	(11)	(17)
In-year savings	(240)	**(240)**	-	-
Debt servicing costs	588	**509**	(79)	(57)
Total Expense	38,994	**39,636**	642	(218)
Surplus / (Deficit)	(3,394)	**(1,318)**	2,076	1,735
Cash Adjustments – (requirements) / sources				
Retained income of funds and agencies [b]	(890)	**(938)**	(48)	(157)
Capital cash adjustments	(1,018)	**(1,290)**	(272)	(1,316)
Other cash adjustments [b]	(598)	**(803)**	(205)	(868)
Net Cash Adjustments	(2,506)	**(3,031)**	(525)	(2,341)
Net Cash Requirements (Deficit + Net Cash Adjustments)	(5,900)	**(4,349)**	1,551	(606)

Alberta Sustainability Fund

	At March 31			
Balance at Start of Year	11,192	**11,192**	-	-
4th quarter results transferred after March 31, 2011	-	**619**	619	-
Transfer to offset cash-adjusted deficit	(5,900)	**(4,349)**	1,551	(606)
Balance at End of Year	5,292	**7,462**	2,170	(606)

[a] Subject to the *Fiscal Responsibility Act*. Does not include revenue and expense of Crown-controlled SUCH sector organizations or Alberta Innovates corporations, or changes in pension liabilities.

[b] Budget revenue has been restated, increasing by $11 million as a result of Alberta Treasury Branches adopting International Financial Reporting Standards. This reduces the Budget deficit by $11 million, but also increases ATB retained income by $8 million and other cash adjustments by $3 million.

[c] Capital investment (not included in expense) 2,737 **2,315** (422) (507)

REVENUE

NON-RENEWABLE RESOURCE REVENUE

Resource revenue is forecast at $11.3 billion, an increase of $3 billion from the *Budget 2011* estimate and $1.1 billion from the second quarter forecast, primarily due to Crown land lease sales and higher oil prices. Royalty revenue has been negatively impacted by the higher US-Canadian dollar exchange rate, now forecast to average US$1.003/Cdn$, 1.92¢ higher than the budget estimate. Year to date (April to January), the exchange rate has averaged US$1.007/Cdn$.

Bitumen royalties. Forecast at $4.4 billion, an increase of $232 million from the budget estimate and $439 million from the second quarter forecast. Higher oil prices have more than offset lower-than-forecast production and higher costs. The WCS @ Hardisty price is forecast to average Cdn$77.98 per barrel, $5.96 higher than budget.

Conventional oil royalties. Forecast at $2.2 billion, an increase of $274 million from budget and $505 million from second quarter, due mainly to higher oil prices and production from horizontal wells. Oil prices are forecast to average US$96.25 per barrel for the fiscal year, US$6.85 higher than estimated in *Budget 2011*. Year to date (April to January), oil prices have averaged US$95.78 per barrel.

Natural gas royalties. Forecast at $1.2 billion, an increase of $203 million from the budget estimate and $210 million higher than second quarter. The Alberta Reference Price (ARP), used to calculate natural gas royalties, is forecast to average Cdn$3.11 per gigajoule for the fiscal year, 34¢ lower than budget. Year to date (April to November), the ARP has averaged $3.29. The impact on revenue from lower prices has been more than offset by higher-than-expected production and by-product prices.

Revenue from bonuses and sales of Crown leases is forecast at $3.3 billion, an increase of $2.2 billion from the budget estimate, due to higher bid prices and numbers of hectares sold, including a record land sale totalling $842 million on June 1, 2011.

TAX REVENUE

Personal income tax revenue is forecast at $8.4 billion, a decrease of $286 million from the budget estimate, due to lower-than-expected 2010 tax assessment data. This reduces the base used to forecast revenue for 2011 and subsequent years, and also requires a negative prior years' adjustment of $188 million, as reported 2010-11 revenue was too high. These reductions to the forecast are partly offset by a revised forecast of stronger growth in personal incomes in 2011, reflected in a $172 million increase in forecast revenue from second quarter.

Corporate income tax revenue. $3.9 billion, an increase of $339 million from budget and $38 million from second quarter, due to higher forecast of corporate profits.

Education property tax. Forecast at $1.7 billion, an increase of $21 million from the budget estimate, as a result of the decision to freeze 2012 rates at 2011 levels.

Other tax revenue is forecast at $2.3 billion, $45 million higher than estimated in *Budget 2011*, mainly from higher-than-expected fuel consumption.

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers are forecast at $4.7 billion, a decrease of $41 million from budget. A $96 million reduction in the Canada Health Transfer (CHT), due mainly to an increase in Alberta's proportion of total national corporate tax assessments, is partly offset by increases of $19 million for labour market and agriculture support programs and of a net $36 million mainly for affordable housing, transportation and other capital projects. The $12 million decrease from second quarter is mainly due to re-profiling of projects to future years, partly offset by higher CHT revenue from an increase in the total national transfer and a higher population share.

INVESTMENT INCOME

Investment income is forecast at $1.5 billion, a decrease of $431 million from the *Budget 2011* estimate, due mainly to the impact of weak global equity markets on Heritage Fund and endowment fund income. This is partially offset by increased Sustainability Fund income due to the higher balance and gains on sales of fixed-income assets created by current low interest rates. This is primarily why investment income has increased $60 million from second quarter.

OTHER REVENUE

Revenue from other sources is forecast at $4.5 billion, $115 million higher than budget:

- $10 million net increase in AGLC net income, due to lower-than-expected amortization expense, partly offset by lower revenue from liquor sales;
- $18 million increase in net income of Alberta Treasury Branches, primarily due to lower credit loss expense;
- $21 million net decrease in premiums, fees and licences revenue mainly from reversing the budgeted increase in municipal motor vehicle search fees, and to lower participation in agriculture insurance programs;
- $108 million net increase in other revenue, mainly related to land sales, Canada Health Infoway funding and reversing prior-year expense accruals.

REVENUE

(millions of dollars)

	2011-12 Budget	3rd Quarter Forecast	Change from Budget	Change from 2nd Quarter	Main Reasons for Change from Budget
Income Taxes					
Personal income tax	8,693	**8,407**	(286)	172	Lower prior-year assessment data
Corporate income tax	3,608	**3,947**	339	38	Increased forecast for corporate profits
	12,301	**12,354**	53	210	
Other Taxes					
Education property tax	1,634	**1,655**	21	21	Impact of freezing 2012 tax rates
Tobacco tax	910	**910**	-	-	
Fuel tax	795	**830**	35	35	Higher-than-expected consumption
Insurance taxes	322	**318**	(4)	1	Forecast revised based on 2010 cash receipts
Freehold mineral rights tax	142	**150**	8	1	Higher oil price
Tourism levy	63	**69**	6	4	Higher hotel rates and stays
	3,866	**3,932**	66	62	
Non-Renewable Resource Revenue					
Bitumen royalty	4,123	**4,355**	232	439	Higher oil price
Crude oil royalty	1,925	**2,199**	274	505	Higher oil price
Natural gas and by-products royalty	1,022	**1,225**	203	210	Higher production / by-product prices
Bonuses and sales of Crown leases	1,068	**3,304**	2,236	(22)	Higher prices per hectare and more hectares sold
Rentals and fees	141	**168**	27	14	More hectares sold
Coal royalty	42	**26**	(16)	(4)	Lower mine profitability
	8,321	**11,277**	2,956	1,142	
Transfers from Government of Canada					
Health transfers	2,302	**2,206**	(96)	42	Higher proportion of national corporate tax assessments
Canada Social Transfer	1,260	**1,260**	-	(1)	
Agriculture support programs	287	**296**	9	(1)	AgriRecovery disaster assistance / insurance premiums
Labour market agreements	171	**181**	10	(3)	Funding from 2010-11
Other	748	**784**	36	(49)	Re-profiled 2010-11 / additional capital projects
	4,768	**4,727**	(41)	(12)	
Investment Income					
Alberta Heritage Savings Trust Fund	1,050	**480**	(570)	8	Weak equity markets
Endowment Funds	198	**65**	(133)	(19)	Weak equity markets
Alberta Capital Finance Authority	242	**244**	2	2	Higher loan volume
Sustainability Fund	225	**495**	270	65	Higher balance / gains on asset sales
Agriculture Financial Services Corporation	115	**110**	(5)	5	Higher-than-expected loan repayments in prior years
Debt Retirement Account	26	**36**	10	(1)	Higher returns
Other	71	**66**	(5)	-	Lower balances
	1,927	**1,496**	(431)	60	
Net Income from Commercial Operations					
Alberta Gaming and Liquor Commission					
Gaming and lottery revenue	1,388	**1,423**	35	35	Lower amortization from delay in VLT replacement
Liquor revenue	718	**693**	(25)	(25)	Lower sales volume
Alberta Treasury Branches[a]	188	**206**	18	(6)	Reduction in provision for credit losses
Other	24	**25**	1	-	Higher CUDGCo net income
	2,318	**2,347**	29	4	
Premiums, Fees and Licences					
Motor vehicle licences	431	**412**	(19)	(7)	Rescinding of municipal search fee increase
Crop and hail insurance premiums	297	**284**	(13)	(2)	Lower participation due to higher commodity prices
Energy Resources Conservation Board levies	125	**125**	-	-	
Land titles	66	**75**	9	9	Stronger real estate market
Land and grazing	63	**66**	3	3	Higher public land disposition charges
Supplementary health benefits premiums	58	**58**	-	1	
Other[a]	356	**355**	(1)	(3)	Lower timber prices
	1,396	**1,375**	(21)	1	
Other					
AIMCo investment management charges	131	**141**	10	6	Increase in external investment management fees
Fines and penalties	117	**122**	5	1	Corporate fine
Refunds of expense	112	**135**	23	8	Recovery / reversal of prior-year expense
Climate Change and Emissions Management	68	**68**	-	-	
Miscellaneous	275	**344**	69	35	Canada Health Infoway / land sales
	703	**810**	107	50	
Total Revenue	35,600	**38,318**	2,718	1,517	

[a] Budget revenue has been restated as a result of Alberta Treasury Branches (ATB) adopting International Financial Reporting Standards. This increases ATB net income by $8 million and payment-in-lieu of taxes by $3 million (in "Other Premiums Fees and Licences").

EXPENSE

TOTAL EXPENSE

Total expense is forecast at $39.6 billion, $642 million higher than estimated in *Budget 2011*, but $218 million lower than second quarter. Changes from budget are:

- $595 million in disaster/emergency assistance;
- $86 million increase in capital grants;
- $51 million increase in net operating expense (a net $60 million increase partly offset by a net $9 million decrease in dedicated revenue-operating expense);
- $79 million decrease in debt servicing costs;
- $11 million decrease in amortization expense.

Disaster/emergency assistance – $595 million increase comprising $250 million for forest fire-fighting costs, $172 million for Slave Lake wildfires, $105 million for municipal flood assistance, $38 million for the AgriRecovery response to excess moisture conditions and $30 million to combat mountain pine beetle infestations.

Capital grants – $86 million increase, mainly for schools, Slave Lake wildfire recovery, affordable housing initiatives, community projects and accelerated GreenTRIP funding, partly offset by re-profiling of projects to future years and reduced health facility maintenance and other grants.

Operating expense – $51 million increase, mainly for school board operations, physician compensation, contracted agency lump sum payments to employees, judicial compensation and student loan provisions, partly offset by lower expense in health and agriculture programs.

In-year operating expense limit – Operating expense increases, excluding those for dedicated revenue-operating expense, are limited by the *Fiscal Responsibility Act* to 1% of total budgeted ministry operating expense. In 2011-12, the limit is $339 million. Net increases as of third quarter total $60 million.

MINISTRY EXPENSE CHANGES

Advanced Education and Technology – $38 million increase comprising $30 million for provisions on student loans and a net $18 million in capital grants, partly offset by $10 million in savings in various program areas.

Agriculture and Rural Development – $18 million net decrease. Increases of $30 million in capital grants for the Agrium Western Event Centre and rural broadband connectivity, $38 million in disaster assistance for excess moisture conditions cost-shared with the federal government, $22 million for Growing Forward and other research initiatives and a net $7 million in income support and other programs, are offset by decreases of $43 million in insurance programs and $72 million from lower-than-reported 2010-11 AgriRecovery and AgriStability claims.

Education – $227 million increase. Capital grants are $113 million higher, with $82 million for new schools, modular classrooms and funding for maintenance and $31 million being accelerated from 2012-13 with faster construction of P3 projects. School board operating grants are $123 million higher, restoring funding of $107 million, and adding $13 million for student transportation fuel costs and $3 million for teachers' salaries. A net $9 million decrease relates mainly to lower sales from the Learning Resources Centre.

Health and Wellness – $138 million decrease, with lapses of a net $187 million in drugs and supplemental benefits, information systems and other programs, and reductions of $31 million mainly in vaccine consumption and re-profiled capital grants, partly offset by an $80 million volume-driven increase for physician compensation.

Infrastructure – $127 million decrease. Capital grant reductions of $100 million, to permit Alberta Health Services to employ cash provided in prior years, and of $47 million in other reductions, mainly related to Capital for Emergent Projects funding transfers and re-profiling, are partly offset by $20 million in increases mainly due to a one-time write-off of project planning costs previously included in assets.

Municipal Affairs – $326 million increase, consisting of $172 million in wildfire disaster support and $14 million in capital grants for Slave Lake, $105 million for flood disaster support, $20 million for affordable housing and $15 million in other municipal capital grants.

Seniors – $34 million increase, comprising $17 million for contracted agency lump sum payments to employees, $11 million for AISH caseload and PDD cost pressures and $6 million for seniors' housing.

Sustainable Resource Development – $286 million increase, comprising $280 million to fight forest fires and mountain pine beetle infestations and a net $6 million mainly for capital grants to Alberta land trusts.

Transportation – $60 million increase reflects re-profiling $80 million in GreenTRIP grants from 2012-13 and purchasing $15 million in highway maintenance materials, partly offset by $35 million in net decreases, mainly lapses from cost savings on federally-funded projects.

Other Ministries – $32 million net increase, consisting mainly of increases for judicial compensation, child care subsidies, labour market and Travel Alberta initiatives, partly offset by re-profiling of projects to future years.

Debt servicing costs – $79 million decrease, mainly due to the decision to not borrow the planned $1.8 billion for capital purposes.

EXPENSE SUMMARY

(millions of dollars)

	2011-12			
		3rd Quarter	Change from	2nd
	Budget	Forecast	Budget	Quarter
Program Expense				
Operating expense [a]	33,943	**34,003**	60	(62)
Dedicated revenue / operating expense net changes [b]	-	**(9)**	(9)	8
Net operating expense	33,943	**33,994**	51	(54)
Capital grants	3,895	**3,981**	86	(99)
Capital amortization / nominal sum disposals	808	**797**	(11)	(17)
In-year savings	(240)	**(240)**	-	-
Disaster / emergency assistance	-	**595**	595	9
Total Program Expense	38,406	**39,127**	721	(161)
Debt Servicing Costs	588	**509**	(79)	(57)
Total Expense	38,994	**39,636**	642	(218)

[a] Prior to dedicated revenue / operating expense net changes.

[b] Dedicated revenue / operating expense changes – Agriculture and Rural Development: $27 million net reduction including a $41 million negative adjustment in federal revenue for 2010-11 programs, $12 million in federal funding mainly for Growing Forward and *Salmonella Enteritidis* and $2 million industry research funding; Education: $6 million net reduction primarily from Learning Resource Centre; Human Services: $6 million net increase, mainly federal labour market funding from 2010-11; Finance: $12 million net increase primarily for investment management charges; net $6 million increase in other ministries.

EXPENSE BY MINISTRY [a]

(millions of dollars)

	2011-12				
		3rd Quarter	Change from	2nd	Main Reasons for
	Budget	Forecast	Budget	Quarter	Change from Budget
Program					
Legislative Assembly	111	**118**	7	4	Election preparations
Advanced Education and Technology	3,008	**3,046**	38	15	Capital grants / student loan provisions
Agriculture and Rural Development	975	**957**	(18)	(11)	Lower insurance costs
Culture and Community Services	218	**242**	24	3	Capital grants re-profiled from 2010-11
Education	6,152	**6,379**	227	(2)	Operating support / capital grants to school boards
Energy	445	**418**	(27)	(27)	Carbon capture and storage capital grants re-profile
Environment and Water	289	**278**	(11)	(25)	Federal ecoTrust funding re-profile
Executive Council	30	**30**	-	-	
Finance	975	**964**	(11)	(11)	Lower teachers' pre-1992 pension plan payments
Health and Wellness	14,947	**14,809**	(138)	(107)	Lapses in drugs, IT systems and other programs
Human Services	2,416	**2,441**	25	7	Child care / 2010-11 federal labour market funding
Infrastructure	1,524	**1,397**	(127)	(124)	Health facility capital grants lapses
Intergovernmental, International and Aboriginal Relations	172	**174**	2	2	First Nations Development Fund
Justice	496	**524**	28	28	Judicial compensation
Municipal Affairs	1,311	**1,637**	326	17	Slave Lake Wildfire Recovery / flood assistance
Seniors	2,107	**2,141**	34	18	Contracted agency employee lump sum payments
Service Alberta	300	**296**	(4)	(4)	Lower amortization expense from project re-profiling
Solicitor General and Public Security	682	**685**	3	3	Employee compensation adjustments
Sustainable Resource Development	293	**579**	286	-	Forest fires / mountain pine beetle infestations
Tourism, Parks and Recreation	163	**179**	16	1	Travel Alberta / Calgary Stampede 2012 Centennial
Transportation	1,952	**2,012**	60	52	GreenTRIP grants re-profiled from 2012-13
Treasury Board and Enterprise	80	**61**	(19)	-	Capital planning funds transferred to other ministries
In-year savings	(240)	**(240)**	-	-	
Total Program Expense	38,406	**39,127**	721	(161)	
Debt Servicing Costs	588	**509**	(79)	(57)	Borrowing for capital purposes cancelled
Total Expense	38,994	**39,636**	642	(218)	

[a] Budget and second quarter numbers have been restated to reflect the re-organization of government departments established by Orders in Council under the *Government Organization Act*, on October 12, 2011, November 8, 2011 and January 20, 2012.

CAPITAL PLAN

2011-12 Capital Plan spending (capital grants and other infrastructure support included in expense, and capital investment in government-owned assets not included in expense) is forecast at $6.3 billion, $336 million lower than estimated in *Budget 2011* and $606 million lower than second quarter. This primarily reflects re-profiling of projects to future years, partly offset by increases for projects carried over from 2010-11, additional schools and acceleration of GreenTRIP grants from 2012-13.

Municipal Infrastructure Support – $1.7 billion, an increase of $70 million from budget. This includes acceleration of $80 million in GreenTRIP grants from 2012-13, $14 million for Slave Lake support, $28 million mainly for water and wastewater infrastructure, partly offset by $52 million in lapsed federal funding.

Provincial Highway Network – $1.6 billion, a decrease of $93 million from budget. Increases of $116 million in projects carried over from 2010-11, $35 million for twinning of Highway 63 and a net $41 million, mainly to reflect P3 work progress and for highway maintenance materials, are more than offset by a decrease of $285 million for projects re-profiled to future years.

Health Facilities and Equipment – $879 million, a decrease of $143 million from budget, consisting of reductions of $100 million in maintenance grants to allow Alberta Health Services to employ cash provided in prior years, $26 million for lower vaccine purchases, information systems and planning and $17 million for projects re-profiled to future years.

Schools – $402 million, an increase of $113 million from budget, reflecting $82 million in new schools, modular classrooms and funding for maintenance (with $12 million funded by a transfer from the Government Facilities envelope) and $31 million re-profiled primarily from 2012-13 due to faster-than-expected construction of Alberta Schools Alternative Procurement P3 projects.

Post-secondary Facilities – $269 million, an increase of $18 million from budget. A $22 million increase funded by a transfer from the Government Facilities envelope is partly offset by a $4 million transfer to operating expense.

Community Facilities – $132 million, an increase of $12 million from budget, including $25 million for the Agrium Western Event Centre funded by a transfer from the Government Facilities envelope, offset by a net decrease of $13 million for various projects carried over from 2010-11 or re-profiled to future years.

Water and Wastewater Management – $308 million, an increase of $11 million from budget, reflecting $8 million for dam repairs and project planning (primarily funded by transfers from the Government Facilities envelope) and a net $3 million for various projects re-profiled to future years or carried over from 2010-11.

Housing – $321 million, an increase of $48 million from budget. Increases of $30 million for Slave Lake interim housing and $20 million for affordable housing funded by a federal transfer are offset by a net decrease of $2 million mainly due to re-profiling projects to future years.

Government Facilities, Equipment and Other Capital – $715 million, $372 million lower than budget. Increases of $104 million for various projects carried over and re-profiled from 2010-11 and a net $14 million in various other projects are offset by decreases of $390 million in projects re-profiled to future years and a net $100 million in transfers to other Capital Plan envelopes and to operating expense.

CAPITAL PLAN SUMMARY

(millions of dollars)

	2011-12			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Municipal infrastructure support	1,628	**1,698**	70	61
Provincial highway network	1,665	**1,572**	(93)	(236)
Health facilities and equipment	1,022	**879**	(143)	(112)
Schools	289	**402**	113	4
Post-secondary facilities	251	**269**	18	(4)
Community facilities	120	**132**	12	(16)
Water and wastewater management	297	**308**	11	(2)
Housing	273	**321**	48	(48)
Government facilities, equipment and other capital	1,087	**715**	(372)	(253)
Total Capital Plan	6,632	**6,296**	(336)	(606)

CAPITAL GRANTS AND OTHER SUPPORT[a]

(millions of dollars)

	2011-12			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Advanced Education and Technology	251	**269**	18	(4)
Agriculture and Rural Development	38	**68**	30	5
Culture and Community Services	48	**70**	22	1
Education	288	**401**	113	4
Energy	70	**55**	(15)	(15)
Environment and Water	90	**81**	(9)	(19)
Health and Wellness	59	**45**	(14)	(4)
Infrastructure	948	**801**	(147)	(138)
Municipal Affairs	938	**986**	48	8
Seniors	75	**83**	8	9
Sustainable Resource Development	-	**5**	5	-
Tourism, Parks and Recreation	1	**1**	-	-
Transportation	1,070	**1,116**	46	54
Treasury Board and Enterprise	19	**-**	(19)	-
Total	3,895	**3,981**	86	(99)

[a] Capital grants and other support are included in expense. Other support includes project planning, accommodation and facility preservation expense. Ministries not listed above have no capital grants or other support or the amount rounds to less than $1 million.

CAPITAL INVESTMENT AND AMORTIZATION[a]

(millions of dollars)

	2011-12 Capital Investment				2011-12 Capital Amortization			
		3rd Quarter	Change from			3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter	Budget	Forecast	Budget	2nd Quarter
Legislative Assembly	5	**3**	(2)	(2)	1	**2**	1	1
Advanced Education and Technology	5	**5**	-	-	5	**4**	(1)	(1)
Agriculture and Rural Development	13	**12**	(1)	(1)	15	**16**	1	-
Culture and Community Services	3	**2**	(1)	(1)	3	**3**	-	-
Education	1	**5**	4	-	1	**1**	-	-
Energy	31	**31**	-	-	21	**21**	-	-
Environment and Water	1	**1**	-	-	22	**22**	-	-
Finance	23	**23**	-	-	11	**11**	-	-
Health and Wellness	85	**63**	(22)	(8)	75	**58**	(17)	(7)
Human Services	10	**11**	1	-	6	**6**	-	-
Infrastructure	449	**365**	(84)	(72)	100	**97**	(3)	(3)
Justice	3	**5**	2	-	9	**9**	-	-
Municipal Affairs	41	**51**	10	(57)	26	**26**	-	-
Seniors	1	**1**	-	-	1	**1**	-	-
Service Alberta	50	**27**	(23)	4	50	**45**	(5)	(5)
Solicitor General and Public Security	184	**95**	(89)	(105)	6	**6**	-	-
Sustainable Resource Development	16	**19**	3	1	16	**16**	-	-
Tourism, Parks and Recreation	14	**17**	3	-	18	**18**	-	-
Transportation	1,665	**1,579**	(86)	(240)	411	**424**	13	(2)
Treasury Board and Enterprise	137	**-**	(137)	(26)	1	**1**	-	-
Total	2,737	**2,315**	(422)	(507)	798	**787**	(11)	(17)

[a] Includes inventory purchases / consumption. Capital investment / inventory purchases are not included in expense, while amortization / inventory consumption are. Ministries not listed above have no capital investment / amortization or inventory purchases / consumption or the amount rounds to less than $1 million.

NET FINANCIAL AND CAPITAL ASSETS

Net Assets – At March 31, 2012, net assets are forecast at $35.8 billion, an increase of $2.3 billion from budget but $1.5 billion lower than March 31, 2011. This includes forecast financial assets of $49.3 billion, $2.4 billion lower than at March 31, 2011; capital assets of $20.4 billion, $1.4 billion higher than March 31, 2011; less liabilities of $33.9 billion, $0.6 billion higher than at March 31, 2011.

Heritage Fund and Endowment Funds– Forecast book value of Heritage Fund external assets is $14.6 billion, $43 million higher than budget and $383 million higher than at March 31, 2011, as a result of forecast inflation-proofing. Total assets of endowment and other funds are forecast at $3.2 billion, $121 million lower than budget and $104 million lower than at March 31, 2011.

Sustainability Fund – Assets are forecast at $7.5 billion at March 31, 2012, $2.2 billion higher than budget, but $3.7 billion lower than March 31, 2011. The increase from budget is due to the $2.1 billion reduction in the deficit, $0.6 billion from 2010-11 fourth quarter results transferred in 2011-12, partly offset by $0.5 billion in higher cash requirements, including the impact of not borrowing the planned $1.8 billion for capital purposes. The decrease from 2010-11 is due mainly to withdrawing $1.3 billion to offset the deficit, $0.9 billion in revenue retained by the Heritage and other funds and agencies, $2.1 billion in capital and other cash requirements, partly offset by adding the $0.6 billion in 2010-11 fourth quarter results in 2011-12. (Details are on pages 1 and 9.)

Total Liabilities – Forecast at $33.9 billion, an increase of $0.6 billion from March 31, 2011 but $0.7 billion lower than the budget estimate. The decrease from budget is due mainly to the decision to not borrow the planned $1.8 billion for capital purposes. The increase from last year is primarily from a $1.1 billion increase in self-supporting lending organizations liabilities, mainly from higher Alberta Capital Finance Authority activity, which is more than offset by an increase in assets.

BALANCE SHEET

(millions of dollars)

	at March 31				
	2011	2012			
			3rd Quarter	Change from	
	Actual	Budget [a]	Forecast	Budget	2011 Actual
Financial Assets					
Heritage Fund	14,198	14,538	**14,581**	43	383
Self-supporting lending organizations [b]	12,606	13,844	**14,016**	172	1,410
Alberta Sustainability Fund	11,192	5,292	**7,462**	2,170	(3,730)
Endowment and other funds [c]	3,302	3,319	**3,198**	(121)	(104)
Equity in commercial enterprises [d]	2,615	2,662	**2,723**	61	108
Debt Retirement Account	843	503	**503**	-	(340)
Other financial assets	6,964	7,165	**6,836**	(329)	(128)
Total Financial Assets	51,720	47,323	**49,319**	1,996	(2,401)
Liabilities					
Accumulated debt	828	488	**488**	-	(340)
Pension liabilities	9,716	9,982	**9,947**	(35)	231
Self-supporting lending organizations [b]	11,627	12,626	**12,759**	133	1,132
Liabilities for capital projects	3,199	4,122	**3,435**	(687)	236
Other liabilities	7,952	7,436	**7,278**	(158)	(674)
Total Liabilities	33,322	34,654	**33,907**	(747)	585
Net Financial Assets	18,398	12,669	**15,412**	2,743	(2,986)
Capital Assets	18,975	20,854	**20,412**	(442)	1,437
Net Assets	37,373	33,523	**35,824**	2,301	(1,549)
Adjustment for pension liabilities	9,716	9,982	**9,947**	(35)	231
Net Assets for Fiscal Policy Purposes [e]	47,089	43,505	**45,771**	2,266	(1,318)

[a] Budget numbers have been restated to reflect 2010-11 actual results. The $619 million in cash from 2010-11 fourth quarter results transferred into the Sustainability Fund after March 31, 2011 is reported in "Other financial assets" in Budget numbers.

[b] Includes Alberta Capital Finance Authority and Agriculture Financial Services Corporation.

[c] Includes Medical Research Endowment Fund, Science and Engineering Research Endowment Fund, Scholarship Fund, Alberta Cancer Prevention Legacy Fund and Alberta Enterprise Corporation.

[d] An adjustment reducing the net equity of Alberta Treasury Branches by $109 million is being made to the April 1, 2011 opening balance to reflect adopting International Financial Reporting Standards.

[e] Under the *Fiscal Responsibility Act*. Excludes pension liabilities and equity of Crown-controlled SUCH sector organizations and Alberta Innovates corporations.

CASH ADJUSTMENTS[a]

(millions of dollars)

	2011-12			
		3rd Quarter	Change from	
	Budget[b]	Forecast	Budget	2nd Quarter
Capital Cash Adjustments				
Requirements				
Capital investment	(2,737)	**(2,315)**	422	507
Principal repayment /amortization of debt issue costs	(19)	**(19)**	-	-
Total requirements	(2,756)	**(2,334)**	422	507
Sources				
Capital amortization	798	**787**	(11)	(17)
Net book value of capital asset disposals	2	**2**	-	-
Alternatively-financed capital investment	156	**168**	12	-
Alternatively-financed capital grants	45	**56**	11	-
Direct borrowing	737	**31**	(706)	(1,806)
Total sources	1,738	**1,044**	(694)	(1,823)
Total Capital Cash Adjustments	(1,018)	**(1,290)**	(272)	(1,316)
Retained Income of Funds and Agencies				
Heritage Fund inflation-proofing	(339)	**(383)**	(44)	(28)
Alberta Treasury Branches	(188)	**(206)**	(18)	6
Agriculture Financial Services Corporation	(259)	**(289)**	(30)	(37)
Alberta Social Housing Corporation	1	**(16)**	(17)	(48)
Access to the Future Fund	(50)	**(50)**	-	-
Endowment funds (Medical, Science and Engineering, Scholarship)	(30)	**103**	133	20
Alberta School Foundation Fund	(14)	**(37)**	(23)	(26)
Alberta Capital Finance Authority	(13)	**(33)**	(20)	(20)
Alberta Cancer Prevention Legacy Fund	10	**1**	(9)	(4)
Other funds	(8)	**(28)**	(20)	(20)
Total Retained Income of Funds and Agencies	(890)	**(938)**	(48)	(157)
Other Cash Adjustments				
Energy royalties	(428)	**(553)**	(125)	(863)
Student loans	(124)	**(89)**	35	35
Other	(46)	**(161)**	(115)	(40)
Total Other Cash Adjustments	(598)	**(803)**	(205)	(868)

[a] Negative cash adjustments are a cash requirement; positive cash adjustments are a cash source.

[b] Budget revenue has been restated, increasing by $11 million as a result of Alberta Treasury Branches (ATB) adopting International Financial Reporting Standards. Budget ATB net income is increased by $8 million, and the payment-in-lieu of taxes by $3 million. Consequently, the Budget ATB retained income cash adjustment has been increased by $8 million and other cash adjustments by $3 million.

DISASTER / EMERGENCY ASSISTANCE

(millions of dollars)

	2011-12			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Agriculture and Rural Development				
AgriRecovery	-	**38**	38	(4)
Municipal Affairs				
Slave Lake wildfires[a]	-	**172**	172	13
Municipal flood assistance	-	**105**	105	-
Sustainable Resource Development				
Forest fire-fighting costs	-	**250**	250	-
Mountain pine beetle infestations	-	**30**	30	-
Total Disaster / Emergency Assistance	-	**595**	595	9

[a] Does not include $14 million in capital grants or $30 million in capital investment provided in 2011-12 for assistance in dealing with Slave Lake wildfires.

2011–12 FISCAL YEAR ASSUMPTIONS AND SENSITIVITIES[a]

	Sensitivities		Assumptions			
	Change	Net Impact ($ million)	Budget	1st Quarter Forecast	2nd Quarter Forecast	3rd Quarter Forecast
Oil price - WTI (US$/bbl)	-$1.00	-141	89.40	97.85	89.50	**96.25**
Natural gas price - Alberta Reference Price (Cdn$/GJ)	-10 cents	-51	3.45	3.45	3.30	**3.11**
Alberta Wellhead - conventional oil (Cdn$/bbl)			79.43	85.69	81.37	**89.27**
WCS @ Hardisty (Cdn$/bbl)			72.02	76.34	71.82	**77.98**
Production assumptions:						
Oil sands (000s barrels/day)			1,850	1,810	1,801	**1,788**
Conventional crude oil (000s barrels/day)			484	508	493	**492**
Natural gas (billions of cubic feet/annum)			4,055	4,306	4,309	**4,327**
Exchange rate (US¢/Cdn$)	+1 cent	-154	98.38	102.53	100.50	**100.3**
Interest rates:	+1%	-212				
3-month Canada treasury bills (%)			1.75	1.50	0.95	**0.95**
10 year Canada bonds (%)			3.65	3.55	2.65	**2.55**
Personal income growth (%, 2011 calendar year)	-1%	-115	5.9	6.4	6.4	**6.9**

[a] Sensitivities are based on the *Budget 2011* assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and capital loss. When interest rates rise, bond prices go down, causing a capital loss.

FINANCING REQUIREMENTS[a]

(millions of dollars)

	2011-12			
		3rd Quarter	Change from	
	Budget	Forecast	Budget	2nd Quarter
Financing Requirements				
Direct borrowing for capital purposes	737	**31**	(706)	(1,806)
Term debt borrowing for provincial corporations:				
Agriculture Financial Services Corporation	280	**295**	15	-
Alberta Capital Finance Authority	2,100	**2,570**	470	470
Alberta Treasury Branches	800	**1,350**	550	-
Total Financing Requirements	3,917	**4,246**	329	(1,336)
Financing Completed to Date				
Direct borrowing for capital purposes	-	**31**	31	-
Agriculture Financial Services Corporation	-	**175**	175	100
Alberta Capital Finance Authority	-	**1,875**	1,875	960
Alberta Treasury Branches	-	**1,350**	1,350	-
Total Financing Completed to Date	-	**3,431**	3,431	1,060

[a] Does not include alternative financing for capital projects (P3s).

ACTUAL RESULTS

ACTUAL RESULTS

FOR THE FIRST NINE MONTHS OF 2011–12

METHOD OF CONSOLIDATION

This financial summary is prepared on the same basis as used in *Budget 2011*.

The results of all government departments, funds and agencies, except those designated as commercial enterprises, are consolidated on a line-by-line basis. Revenue and expense transactions between consolidated entities have been eliminated.

The accounts of Crown-controlled corporations and provincial agencies designated as commercial enterprises are included on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles applicable to those entities.

The accounts of the Alberta Innovates corporations and the Crown-controlled SUCH sector organizations such as school boards, universities, colleges, technical institutes, and Alberta Health Services that are controlled by the government are not included in this fiscal summary. These Crown-controlled entities are consolidated on a line-by-line basis in the consolidated financial statements forming part of the Government of Alberta Annual Report.

BASIS OF FINANCIAL REPORTING

The consolidated fiscal summary reports revenue (including gains from disposal of tangible capital assets, expense (including amortization, loss on disposal and write-down of tangible capital assets), and surplus (deficit).

Revenue and expense are recorded using the accrual basis of accounting. Cash received for goods or services which have not been provided by period end is recorded as unearned revenue.

Expense includes the province's cash payments towards the unfunded pension liabilities. Expense excludes the change in the unfunded pension liabilities, which is a non-cash expense that does not affect borrowing requirements.

Debt servicing costs include interest payable and amortization of discount on debt issues.

Comparative 2010-11 figures have been restated where necessary to conform to the 2011-12 presentation.

CONSOLIDATED FISCAL SUMMARY

for the nine months ended December 31, 2011

(millions of dollars)

	First Nine Months		
	2011-12	**2010-11**	**Change**
Revenue			
Income taxes	8,210	7,682	528
Other taxes	2,691	2,571	120
Non-renewable resource revenue	8,798	5,900	2,898
Transfers from Government of Canada	3,375	3,426	(51)
Net income from commercial operations	1,264	1,785	(521)
Premiums, fees and licences	1,049	969	80
Investment income	969	1,612	(643)
Other	1,221	691	530
Total Revenue	**27,577**	**24,636**	**2,941**
Expense			
Program Expense			
Legislative Assembly	60	61	(1)
Advanced Education and Technology	2,326	2,584	(258)
Agriculture and Rural Development	785	797	(12)
Culture and Community Services	134	138	(4)
Education	4,671	4,400	271
Energy	251	218	33
Environment and Water	195	174	21
Executive Council	19	20	(1)
Finance	815	850	(35)
Health and Wellness	10,663	10,852	(189)
Human Services	1,791	1,778	13
Infrastructure	777	391	386
Intergovernmental, International and Aboriginal Relations	115	114	1
Justice	349	333	16
Municipal Affairs	1,382	1,301	81
Seniors	1,568	1,521	47
Service Alberta	186	183	3
Solicitor General and Public Security	504	469	35
Sustainable Resource Development	426	309	117
Tourism, Parks and Recreation	126	114	12
Transportation	982	1,080	(98)
Treasury Board and Enterprise	39	39	-
Total Program Expense	**28,164**	**27,726**	**438**
Debt servicing costs	245	212	33
Total Expense	**28,409**	**27,938**	**471**
Surplus (Deficit)	**(832)**	**(3,302)**	**2,470**

Produced by
Government of Alberta
Finance